

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2019 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2019 or fiscal plan year beginning <u>01/01/2019</u> and ending <u>12/31/2019</u>	
A	This return/report is for: ☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)
	☒ a single-employer plan ☐ a DFE (specify) _____
B	This return/report is: ☐ the first return/report ☐ an amended return/report ☐ the final return/report ☐ a short plan year return/report (less than 12 months)
C	If the plan is a collectively-bargained plan, check here. ☐
D	Check box if filing under: ☒ Form 5558 ☐ special extension (enter description) ☐ automatic extension ☐ the DFVC program

Part II	Basic Plan Information —enter all requested information		
1a	Name of plan <u>HOSTESS BRANDS, LLC 401(K) PLAN</u>	1b	Three-digit plan number (PN) ▶ <u>001</u>
		1c	Effective date of plan <u>08/01/2013</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>HOSTESS BRANDS, LLC</u> <u>7905 QUIVERA ROAD</u> <u>LENEXA, KS 66215</u>	2b	Employer Identification Number (EIN) <u>37-1719327</u>
		2c	Plan Sponsor's telephone number <u>816-701-4600</u>
		2d	Business code (see instructions) <u>311800</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/16/2020	ROBERT WEBER
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/16/2020	ROBERT WEBER
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2019)
v. 190130

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 2170
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 1946 6a(2) 2082 6b 0 6c 266 6d 2348 6e 2 6f 2350 6g 2057 6h 115
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2K 2S 2T 3D b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)
- (2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)** ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
- (2)** ☐ **I** (Financial Information – Small Plan)
- (3)** ☐ **A** (Insurance Information)
- (4)** ☒ **C** (Service Provider Information)
- (5)** ☒ **D** (DFE/Participating Plan Information)
- (6)** ☐ **G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2019 Form M-1 annual report. If the plan was not required to file the 2019 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2019
		This Form is Open to Public Inspection.

For calendar plan year 2019 or fiscal plan year beginning **01/01/2019** and ending **12/31/2019**

A Name of plan HOSTESS BRANDS, LLC 401(K) PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 HOSTESS BRANDS, LLC	D Employer Identification Number (EIN) 37-1719327	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
LOOMIS SAYLES FUNDS

04-3200030

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
INVESCO

58-2287224

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
T. ROWE PRICE

52-2264646

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
FIDELITY

06-1194217

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

VANGUARD

23-1945930

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

WELLS FARGO BANK, N.A.

94-1347393

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 37 50 62 64	SERVICE PROVIDER	158394	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☐ No ☒

(a) Enter name and EIN or address (see instructions)

MAYER HOFFMAN MCCANN P.C.

43-1947695

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
10 50	SERVICE PROVIDER	10220	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2019 This Form is Open to Public Inspection
For calendar plan year 2019 or fiscal plan year beginning 01/01/2019 and ending 12/31/2019		
A Name of plan HOSTESS BRANDS, LLC 401(K) PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 HOSTESS BRANDS, LLC	D Employer Identification Number (EIN) 37-1719327	

Part I Asset and Liability Statement			
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	44	
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	1897605	1149909
(2) Participant contributions.....	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)	1131279	1552197
(9) Value of interest in common/collective trusts	1c(9)	699224	1016361
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	23314263	33653596
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other.....	1c(15)		

		(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:		
(1)	Employer securities	1d(1)	
(2)	Employer real property	1d(2)	
e	Buildings and other property used in plan operation	1e	
f	Total assets (add all amounts in lines 1a through 1e)	1f	27042415 37372063
Liabilities			
g	Benefit claims payable	1g	
h	Operating payables	1h	
i	Acquisition indebtedness	1i	
j	Other liabilities	1j	
k	Total liabilities (add all amounts in lines 1g through 1j)	1k	0 0
Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	27042415 37372063

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

		(a) Amount	(b) Total
a	Contributions:		
(1)	Received or receivable in cash from: (A) Employers	2a(1)(A)	2570264
	(B) Participants	2a(1)(B)	5523801
	(C) Others (including rollovers)	2a(1)(C)	1017659
(2)	Noncash contributions	2a(2)	
(3)	Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)	9111724
b	Earnings on investments:		
(1)	Interest:		
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	
	(B) U.S. Government securities	2b(1)(B)	
	(C) Corporate debt instruments	2b(1)(C)	
	(D) Loans (other than to participants)	2b(1)(D)	
	(E) Participant loans	2b(1)(E)	79379
	(F) Other	2b(1)(F)	
	(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)	79379
(2)	Dividends: (A) Preferred stock	2b(2)(A)	
	(B) Common stock	2b(2)(B)	
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	668673
	(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)	668673
(3)	Rents	2b(3)	
(4)	Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)	
	(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)	0
(5)	Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	
	(B) Other	2b(5)(B)	
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)	0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		21002
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		5386941
c Other income	2c		14201
d Total income. Add all income amounts in column (b) and enter total	2d		15281920

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	3284154	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		3284154
f Corrective distributions (see instructions)	2f		149481
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	145364	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		145364
j Total expenses. Add all expense amounts in column (b) and enter total	2j		3578999

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		11702921
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		1373273

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unmodified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **MAYER HOFFMAN MCCANN P.C.**

(2) EIN: **43-1947695**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a	X		878
4b		X	

	Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
4d		X	
e Was this plan covered by a fidelity bond?	X		5000000
4e	X		5000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?.....		X	
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?.....		X	
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)		X	
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
4k		X	
l Has the plan failed to provide any benefit when due under the plan?.....		X	
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	X		
4m	X		
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	X		
4n	X		

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?..... ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
SARA LEE FROZEN BAKERY 401(K)	83-0662567	001

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____. (See instructions.)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2019 This Form is Open to Public Inspection.
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For calendar plan year 2019 or fiscal plan year beginning 01/01/2019 and ending 12/31/2019

A Name of plan <u>HOSTESS BRANDS, LLC 401(K) PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>HOSTESS BRANDS, LLC</u>	D Employer Identification Number (EIN) <u>37-1719327</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>41-6257133</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
----------------	---

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☐ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2019
v. 190130

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year

b The plan year immediately preceding the current plan year

c The second preceding plan year

14a**14b****14c**

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year

b The corresponding number for the second preceding plan year

15a**15b**

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year

b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers

16a**16b**

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate line 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

- 20 PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

- a** Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

- b** If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____



Mayer Hoffman McCann P.C.

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Main: 816.945.5600 ■ Fax: 816.897.1280 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

The Administrative Committee
Hostess Brands, LLC 401(k) Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Hostess Brands, LLC 401(k) Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Wells Fargo Bank, N.A., the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of December 31, 2019 and 2018 and for the years then ended, that the information provided to the plan administrator by the trustee is complete and accurate.



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Disclaimer of Opinion

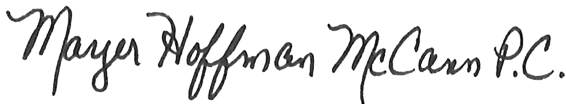
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule of assets (held at end of year) as of December 31, 2019, and the supplemental schedule of delinquent participant contributions for the year ended December 31, 2019, are required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedules referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.



Kansas City, Missouri
October 15, 2020

Hostess Brands



October 15, 2020

Mayer Hoffman McCann P.C.
700 West 47th Street, Suite 1100
Kansas City, Missouri 64112

This representation letter is provided in connection with your audits of the financial statements and the supplemental schedules of the Hostess Brands, LLC 401(k) Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and whether the supplemental schedules as of or for the year ended December 31, 2019 are fairly stated in all material respects in relation to the financial statements as a whole. As permitted by Regulation 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), Hostess Brands, LLC (the Plan Sponsor) has instructed you not to perform any auditing procedures with respect to information prepared and certified to by Wells Fargo Bank, N.A., the trustee, in accordance with DOL Regulation 2520.103-5, except for comparing the information with the related information included in the financial statements and the supplemental schedules. Because of the significance of the information which you did not audit, the Plan Sponsor understands that you will not express an opinion on the financial statements and supplemental schedules taken as a whole. The Plan Sponsor understands that the form and content of the information in the financial statements and the supplemental schedules, other than that derived from the information certified by Wells Fargo Bank, N.A., has been audited by you in accordance with auditing standards generally accepted in the United States of America, and was subjected to tests of our accounting records and other procedures you considered necessary to enable you to express an opinion as to whether they are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits.

Financial Statements

1. The Plan Sponsor has fulfilled its responsibilities, as set out in the terms of the audit engagement letter dated September 29, 2020, including its responsibility for the preparation and fair presentation of the financial statements and note disclosures.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP, the notes include all disclosures required by laws and regulations to which the Plan is subject, including the DOL's Rules and Regulations for Reporting and Disclosure under ERISA, and the supplemental schedules referred to above are fairly presented in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.
3. We acknowledge Plan management's responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge Plan management's responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related-party relationships and transactions and relationships and transactions with parties-in-interest, as defined in ERISA Section 3(14) and regulations thereunder, have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP and ERISA Section 3(14) and regulations thereunder.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and the Plan Sponsor has not consulted a lawyer concerning litigation, claims or assessments.
9. Other matters (e.g. breach of fiduciary responsibilities, nonexempt transactions, loans or leases in default, or events that may jeopardize the tax status) that legal counsel has advised the Plan Sponsor that must be disclosed have been properly disclosed.
10. Significant estimates and material concentrations have been properly disclosed in accordance with U.S. GAAP.
11. Financial instruments with concentrations of credit risk have been properly recorded or disclosed in the financial statements.
12. Guarantees, whether written or oral, under which the Plan is contingently liable have been properly recorded or disclosed in accordance with U.S. GAAP.
13. The supplemental schedule (s) or financial statements disclose the following:
 - a. All non-exempt party-in-interest transactions (as defined by ERISA Section 3(14) and regulations thereunder).
 - b. Investments or loans in default or considered to be uncollectible.

- c. Reportable transactions (as defined in ERISA Section 103(b)(3)(H) and regulations thereunder).

Information Provided

- 14. The Plan Sponsor has provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - i. This includes all Administrative Committee minutes through the February 21, 2020 meeting and the meeting agenda for the September 24, 2020 meeting,
 - b. Additional information that you have requested for the purpose of the audit;
 - c. Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence;
 - d. Plan instruments, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.
- 15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16. The results of the Plan Sponsor's assessment of the risk that the financial statements may be materially misstated as a result of fraud have been disclosed to you.
- 17. We have no knowledge of any fraud or suspected fraud that affects the Plan and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others when the fraud could have a material effect on the financial statements.
- 18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
- 19. Except as otherwise disclosed in the financial statements, we have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations (including ERISA, DOL, and IRS regulations) whose effects should be considered when preparing financial statements.
- 20. The Plan Sponsor has disclosed to you the identity of the Plan's related parties and parties in interest and all the related party and party in interest relationships and transactions of which we are aware.
- 21. The Plan has satisfactory title to all owned assets which are recorded at fair value and all liens, encumbrances, or security interest requiring disclosure in the financial statements have been properly disclosed.
- 22. The Plan Sponsor has no –

- a. Plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
 - b. Intentions to terminate the Plan.
- 23. Amendments to the Plan instrument, if any, have been properly recorded or disclosed in the financial statements.
- 24. The Plan has complied with all aspects of debt and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 25. The methods and significant assumptions used to estimate fair values of financial instruments, including nonreadily marketable securities, are as follows: the Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.
- 26. All required amendments and filings of plan or trust documents with the appropriate agencies have been made. The Plan obtained its latest determination letter on March 31, 2014, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Plan Sponsor believes that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.
- 27. The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and the Plan Sponsor intends to continue them as a qualified plan (and trust). Except as otherwise disclosed in the financial statements, the Plan Sponsor has operated the Plan (and trust) in a manner that did not jeopardize this tax status. Required nondiscrimination testing related to Code Section 401(k) and 401(m) arrangements, as applicable, has been completed for the Plan, and any excess deferrals or contributions have been disposed of in accordance with regulations.
- 28. The Plan has complied with the DOL's regulations concerning the timely remittance of participant contributions to trusts containing assets for the Plan, other than those that have been disclosed in the financial statements.
- 29. The Plan has complied with the fidelity bonding requirements of ERISA.
- 30. There have been no communications, whether written or oral, with regulatory agencies concerning the operation of the Plan.
- 31. The Plan Sponsor has obtained appropriate fee disclosures from covered service providers and has concluded that fees are reasonable. The Plan is in compliance with DOL regulations regarding ERISA Section 408(b)(2).
- 32. The Plan Sponsor has obtained the service auditor's reports from our service organizations (Wells Fargo Bank, N.A., ADP AutoPay Payroll Services System and Workday Enterprise), has reviewed such reports, including the complementary user

controls, and implemented the relevant user controls, which were in operation for the year ended December 31, 2019.

33. In regards to the financial statement preparation services performed by you, the Plan Sponsor has:

- a. Assumed all management responsibilities.
- b. Designated an individual within senior management with suitable skill, knowledge, or experience to oversee the services.
- c. Evaluated the adequacy and results of the services performed.
- d. Accepted responsibility for the results of the services.

34. The Plan Sponsor believes the form and content of the Schedule of Assets (Held at End of Year) and the Schedule of Delinquent Participant Contributions are fairly presented in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

35. The following subsequent events have been disclosed in the financial statements:

On January 30, 2020, the World Health Organization ("WHO") declared a global health emergency because of the coronavirus (the "COVID-19 outbreak") creating risks to the international community as the virus spread globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, there has been heightened market risk and the Plan's investment portfolio has experienced significant volatility in fair value since December 31, 2019. Because the values of the Plan's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and the related impact on the Plan's liquidity cannot be determined at this time.

Additionally, March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. Plan management has evaluated the relief provisions available to plan participants under the CARES Act and has implemented the following provisions.

- Special coronavirus distributions up to \$100,000,
- Increased the available loan amount as described in Note 1 to the lesser of \$100,000 or 100% of the participant's vested account balance,
- Extended the period for loan repayments, if applicable, up to one year, and
- Required minimum distributions for the 2020 calendar are temporarily waived.



Michael Gertgen



Matt Hall

HOSTESS BRANDS, LLC 401(k) PLAN

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018





INDEPENDENT AUDITORS' REPORT

The Administrative Committee
Hostess Brands, LLC 401(k) Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Hostess Brands, LLC 401(k) Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Wells Fargo Bank, N.A., the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of December 31, 2019 and 2018 and for the years then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

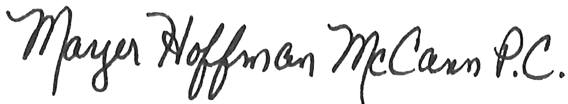
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule of assets (held at end of year) as of December 31, 2019, and the supplemental schedule of delinquent participant contributions for the year ended December 31, 2019, are required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedules referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.



Kansas City, Missouri
October 15, 2020

HOSTESS BRANDS, LLC 401(k) PLAN**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

December 31, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Investments at fair value	\$ 34,669,957	\$ 24,013,487
Non interest bearing cash	-	44
Receivables:		
Employer contributions	1,149,909	1,897,605
Notes receivable from participants	1,552,197	1,131,279
TOTAL RECEIVABLES	2,702,106	3,028,884
TOTAL ASSETS	37,372,063	27,042,415
<u>LIABILITIES</u>		
Excess contributions payable	287,165	145,402
NET ASSETS AVAILABLE FOR BENEFITS	\$ 37,084,898	\$ 26,897,013

See Notes to Financial Statements

HOSTESS BRANDS, LLC 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	\$ 5,354,656	\$ (1,962,203)
Dividends	<u>668,673</u>	<u>498,463</u>
	<u>6,023,329</u>	<u>(1,463,740)</u>
Other income	<u>19,973</u>	<u>10,953</u>
Interest income on notes receivable from participants	<u>79,379</u>	<u>48,715</u>
Contributions:		
Employer	2,570,263	3,280,204
Participants	5,284,195	4,747,445
Rollover	<u>1,017,659</u>	<u>692,045</u>
	<u>8,872,117</u>	<u>8,719,694</u>
TOTAL ADDITIONS	<u>14,994,798</u>	<u>7,315,622</u>
DEDUCTIONS		
Benefits paid to participants	3,288,276	2,889,260
Administrative expenses	<u>145,364</u>	<u>135,446</u>
TOTAL DEDUCTIONS	<u>3,433,640</u>	<u>3,024,706</u>
NET INCREASE BEFORE PLAN TRANSFERS	11,561,158	4,290,916
Transfers out	<u>(1,373,273)</u>	<u>-</u>
NET INCREASE	10,187,885	4,290,916
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	<u>26,897,013</u>	<u>22,606,097</u>
End of year	<u><u>\$ 37,084,898</u></u>	<u><u>\$ 26,897,013</u></u>

See Notes to Financial Statements

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(1) Description of plan

The following description of the Hostess Brands, LLC 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan document or Summary Plan Description for a more complete description of the Plan's provisions, which are available from the plan administrator.

General - The Plan is a defined contribution plan established on August 1, 2013, sponsored by Hostess Brands, LLC (the "Company") for the benefit of employees of the Company and its participating subsidiaries. The Plan has no service or age requirement for eligibility. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan is administered by the Administrative Committee (the "Committee") which is made up of certain members of management of the Company. The Committee has overall responsibility for the operation and administration of the Plan, determines the appropriateness of the Plan's investment offerings, and monitors investment performance.

In 2019, Principal Financial Group ("Principal") acquired the Wells Fargo's Institutional Retirement & Trust business. The Plan is expected to migrate to the Principal platform in 2021.

Plan amendments - Effective January 1, 2018, the Plan was amended to allow for a special discretionary non-elective employer contribution. The special discretionary non-elective contribution for any year will be a fixed dollar amount per eligible participant. The special discretionary non-elective contribution for the 2019 and 2018 plan years was \$0 and \$500 per eligible participant, respectively. Eligible participants include all hourly employees who have attained one year of service and are employed by the Plan Sponsor as of December 31. In addition to the preceding requirement, eligible participants must also have been employed on February 1, 2018 to be eligible for the 2018 special discretionary non-elective contribution.

Effective January 1, 2018, the Plan was amended to adjust the fixed matching contribution formula. Prior to January 1, 2018, the fixed matching contribution formula was calculated at 50% of elective deferrals, up to a maximum of 6% of compensation. Effective January 1, 2018, the fixed matching contribution is either a) 50% of elective deferrals if the amount of the participant's elective deferrals is less than 6% of compensation, or b) 4% of compensation if the amount of the participant's elective deferrals equal or exceed 6% of compensation. The amendment is only applicable to participants at the Columbus, GA bakery production facility or the Indianapolis, IN bakery production facility who are covered by a collective bargaining agreement.

Effective January 1, 2018, the Plan was amended to adjust the fixed non-elective contribution (NEC) formula for employees at the Indianapolis, Indiana bakery production facility who are covered by a collective bargaining agreement. Previously, the NEC formula was calculated at 1.5% of the participant's compensation for the immediately preceding year for each year subsequent to January 2018. Following the amendment, the NEC formula was increased to 2% of the participant's compensation for the immediately preceding year for each year subsequent to January 2020.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(1) Description of plan (continued)

Effective January 1, 2018, the Plan was amended to adjust the fixed non-elective contribution (NEC) formula for employees at the Columbus, Georgia bakery production facility who are covered by a collective bargaining agreement. Previously, the NEC formula was not defined for any years subsequent to January 2018. Following the amendment, the NEC formula was updated for 1.5% of the participant's 2018 compensation in January of 2019; 1.5% of the participant's 2019 compensation in January of 2020; and 2% of the participant's compensation for the immediately preceding year for each year subsequent to January 2020.

Effective February 2018, the Company completed an asset acquisition of a manufacturing facility in Chicago, Illinois. As a result of this acquisition, approximately 650 employees became eligible to participate in the Plan and were offered the opportunity to roll their prior retirement plan's funds into the Plan.

Contributions - Participants may contribute up to 100% of annual compensation as pre-tax or Roth contributions, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Additionally, participants age 50 or older, who are making contributions to the Plan, are allowed to make catch-up contributions as defined in the Plan. Participants direct the investment of all contributions into various investment options offered by the Plan. The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at 3% of eligible compensation. The Company's matching contribution is discretionary as determined by the Company. Additional amounts may be contributed at the option of the Company. For the years ended December 31, 2019 and 2018, a nonelective contribution was made to eligible participants at the Emporia, Kansas location of 1.75% and 1.5% of eligible compensation, respectively. For the years ended December 31, 2019 and 2018, a nonelective contribution was made to eligible participants at the Indianapolis, Indiana location of 1.5% of eligible compensation. For each the years ended December 31, 2019 and 2018, a nonelective contribution was made to eligible participants at the Columbus, Georgia location of 1.5% of eligible compensation. Additionally, for the years ended December 31, 2019 and 2018, a profit sharing contribution in the amount of \$128,510 and \$116,720, respectively, was made for eligible participants of the Emporia, Kansas location. For the year ended December 31, 2019, there was no special discretionary non-elective contribution. For the year ended December 31, 2018, a special discretionary non-elective contribution in the amount of \$619,500 was made for eligible hourly participants. Contributions are subject to certain Internal Revenue Code ("IRC") limitations.

Participant investment account options - Participants direct the investment of all contributions into various investment options offered by the Plan. The Plan currently offers 20 mutual funds and a common collective trust as investment options for participants.

Participant accounts - Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution, (b) plan earnings, and (c) charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(1) Description of plan (continued)

Vesting - Participants are immediately vested in their contributions plus actual earnings (or losses), thereon. Employer contributions are subject to the following vesting schedule.

<u>Years of Service</u>	<u>Vested %</u>
Less than 1	0%
1	25%
2	50%
3	75%
4	100%

Notes receivable from participants - Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account and bear interest at rates that are commensurate with prevailing rates as determined by the plan administrator at the time of issuance. Principal and interest are paid ratably through payroll deductions.

Excess contributions payable - Amounts payable to participants for contributions in excess of amounts allowed by the IRS are recorded as a liability with a corresponding reduction to contributions. The Plan distributed the 2019 excess contributions to the applicable participants in March 2020. The Plan distributed the 2018 excess contributions to the applicable participants in September 2019.

Payment of benefits - On termination of service for any reason, a participant may receive the value of the vested interest in his or her account as a lump sum distribution.

Forfeited accounts - At December 31, 2019 and 2018, forfeited nonvested accounts totaled \$156,996 and \$190,015, respectively. Forfeitures may be used to pay reasonable plan expenses or allocated to reduce employer matching contributions. For the years ended December 31, 2019 and 2018, employer contributions were reduced by \$209,267 and \$203,192, respectively, from forfeited nonvested accounts. For the years ended December 31, 2019 and 2018, Plan expenses were reduced by \$10,220 and \$1,052, respectively, from forfeited nonvested accounts. Additionally, subsequent to December 31, 2019, \$156,996 was used to reduce the employer contribution receivable and is reflected as a reduction to the contribution receivable at December 31, 2019.

(2) Summary of significant accounting policies

Basis of accounting - The financial statements of the Plan are prepared on the accrual method of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(2) Summary of significant accounting policies (continued)

Investment valuation and income recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Committee determines the Plan's valuation policies utilizing information provided by the investment trustee. See Note 4 for discussions of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Notes receivable from participants - Notes receivable from participants are measured at their unpaid principal balance plus accrued but unpaid interest. Interest income is recorded on an accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred.

Payment of benefits - Benefits are recorded when paid.

Administrative expenses - Certain expenses of the Plan are paid by the Company and are not included in the statements of changes in net assets available for benefits. Fees related to the administration of notes receivable from participants are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation (depreciation) in fair value of investments.

(3) Information prepared and certified by the trustee

The Plan administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Wells Fargo Bank, N.A. ("Wells Fargo"), the trustee of the Plan, has certified that the following data included in the accompanying financial statements and supplemental schedules are complete and accurate with respect to investments:

- Investments at fair value
- Notes receivable from participants
- Net appreciation (depreciation) in fair value of investments
- Dividends
- Other income
- Interest income on notes receivable from participants
- Schedule of assets (held at end of year)

The Plan's independent public accountants did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedules.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(4) Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification 820 are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used at December 31, 2019 or 2018.

Mutual funds: Valued at the daily closing price reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Stable value common collective trust: A stable value fund that is composed primarily of fully benefit-responsive investment contracts is valued at the NAV of units of the bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. Participant transactions (purchases and sales) may occur daily. If the Plan initiates a full redemption of the collective trust, the issuer reserves the right to require 12 months' notification in order to ensure that securities liquidations will be carried out in an orderly business manner.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(4) Fair value measurements (continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of December 31, 2019 and 2018:

Investments at Fair Value as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Mutual funds	<u>\$ 33,653,596</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 33,653,596
Stable value common collective trust, measured at NAV practical expedient ^(a)				<u>1,016,361</u>
Total investments at fair value				<u>\$ 34,669,957</u>

Investments at Fair Value as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Mutual funds	<u>\$ 23,314,263</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 23,314,263
Stable value common collective trust, measured at NAV practical expedient ^(a)				<u>699,224</u>
Total investments at fair value				<u>\$ 24,013,487</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets available for benefits.

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarized investments for which fair value is based on NAV per share practical expedient as of December 31, 2019 and 2018, respectively.

	Fair Value 12/31/2019	Fair Value 12/31/2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Stable Value Common Collective Trusts					
Total	<u>\$ 1,016,361</u>	<u>\$ 699,224</u>	<u>\$ -</u>	<u>Daily</u>	<u>(b)</u>

(b) Participants may redeem units for the purpose of funding a bona fide benefit payment, making a participant loan, honoring an employee-directed transfer of the employee's interest in the Plan to another investment election that is a noncompeting investment, or paying trustee fees. Participants may make withdrawals for other purposes generally only upon 12 months' advance written notice to the trustee.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(5) Related party transactions and party-in-interest transactions

Certain Plan investments are shares of a stable value common collective trust managed by Wells Fargo. Wells Fargo is the trustee as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions. Fees incurred by the Plan for investment management services are included in net appreciation (depreciation) in the fair value of investments, as they are paid through revenue sharing, rather than a direct payment. As described in Note 2, the Plan made direct payments to the trustee of \$135,144 and \$134,446 for the years ended December 31, 2019 and 2018, respectively. The Company pays directly any other fees related to the Plan's operations.

(6) Plan termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in their employer contributions.

(7) Reconciliation of financial statements to Schedule H of Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2019 and 2018 to Form 5500:

	December 31,	
	2019	2018
Net assets available for benefits per the financial statements	\$ 37,084,898	\$ 26,897,013
Plus current year excess contributions refundable	287,165	145,402
Net assets available for benefits per Schedule H of the Form 5500	<u>\$ 37,372,063</u>	<u>\$ 27,042,415</u>

The following is a reconciliation of net increase per the financial statements for the year ended December 31, 2019 and 2018 to Form 5500:

	Years Ended December 31,	
	2019	2018
Net increase per the financial statements	\$ 11,561,158	\$ 4,290,916
Change in amounts allocated to withdrawing participants	-	20,987
Plus current year excess contributions refundable	287,165	145,402
Less prior year excess contributions refundable	(145,402)	(145,186)
Net increase per Schedule H of the Form 5500	<u>\$ 11,702,921</u>	<u>\$ 4,312,119</u>

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(8) **Tax status**

The Internal Revenue Service ("IRS") has determined that the new volume submitter plan that is designed in accordance with applicable sections of the IRC and informed the trustee of such in a letter dated March 31, 2014. Although the Plan has been amended since receiving the opinion letter, the Plan administrator believes that the Plan is currently designed, and being operated, in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(9) **Risks, uncertainties and concentrations**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

At December 31, 2019 and 2018, approximately 23% and 25% of the Plan's investments were invested in the Vanguard Target Retirement 2030 Fund and the Vanguard Target Retirement 2025 Fund.

(10) **Delinquent participant contributions**

Defined contribution plans are required to remit employee contributions to the Plan as soon as they can be reasonably segregated from the employer's general assets. While the Company remitted all employee contributions to the Plan, contributions of \$18 and \$860 were not remitted within the required time period for the years ended December 31, 2019 and 2017, respectively. The Company has remitted all delinquent employee contributions to the Plan and related lost earnings.

(11) **Transfers out**

In August 2019, the Company sold Superior Cake Products, Inc. Participant account balances transferred to the purchasing company's plan in December 2019 in the amount of \$1,373,273.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(12) Subsequent events

The Plan has evaluated subsequent events through October 15, 2020, which is the date the financial statements were available to be issued and noted the following items for disclosure:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of the coronavirus (the “COVID-19 outbreak”) creating risks to the international community as the virus spread globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to deterioration and instability in financial markets. As a result, there has been heightened market risk and the Plan’s investment portfolio has experienced volatility in fair value since December 31, 2019. Because the values of the Plan’s individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and the related impact on the Plan’s portfolio cannot be determined at this time.

Additionally, March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. Plan management has evaluated the relief provisions available to plan participants under the CARES Act and has implemented the following provisions:

- Special coronavirus distributions up to \$100,000
- Increased the available loan amount as described in Note 1 to the lesser of \$100,000 or 100% of the participant’s vested account balance
- Extended the period for loan repayments, if applicable, up to one year
- Required minimum distributions for the calendar year 2020 have been temporarily waived

The Plan is operationally administered in accordance with certain provisions under the CARES Act. The Plan will be retroactively amended by the time prescribed for the provisions implemented under this Act.

SUPPLEMENTAL SCHEDULES

HOSTESS BRANDS, LLC 401(k) PLAN

SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2019

EIN: 37-1719327

Plan Number: 001

(a)	(b)	(c) Description of investments including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost (1)	(e) Current value
Identity of issue, borrower, lessor, or similar party				
Vanguard Target Retirement 2030 Fund		Mutual Fund	\$	4,042,445
Vanguard Target Retirement 2025 Fund		Mutual Fund		3,933,079
Vanguard 500 Index Admin Fund		Mutual Fund		2,980,567
Vanguard Target Retirement 2035 Fund		Mutual Fund		3,010,995
Vanguard Target Retirement 2020 Fund		Mutual Fund		2,209,533
Vanguard Target Retirement 2040 Fund		Mutual Fund		3,405,938
T Rowe Price Blue Chip Growth		Mutual Fund		2,944,384
Vanguard Target Retirement 2045 Fund		Mutual Fund		2,320,374
Vanguard Target Retirement 2050 Fund		Mutual Fund		1,786,969
Vanguard Target Retirement 2055 Fund		Mutual Fund		1,569,383
Vanguard Mid Cap Index Admin Fund		Mutual Fund		1,155,972
Vanguard Small Cap Index Admin Fund		Mutual Fund		950,514
Invesco Diversified Dividend A		Mutual Fund		527,498
Vanguard Target Retirement 2060 Fund		Mutual Fund		1,020,565
Vanguard Target Retirement 2015 Fund		Mutual Fund		306,733
Vanguard Target Retirement Fund		Mutual Fund		404,828
Vanguard Total Bond Market Index		Mutual Fund		364,657
Natixis Loomis Sayles Core Plus Bond Fund		Mutual Fund		225,754
Fidelity Intl Indx-Inst PRM		Mutual Fund		445,512
Vanguard Target Retirement 2065 Fund		Mutual Fund		47,896
* Wells Fargo Stable Return Fund N		Common Collective Trust		1,016,361
				<u>34,669,957</u>
* Participant loans (interest rates ranging 4.25% - 6.50%)				<u>1,552,197</u>
			\$	<u><u>36,222,154</u></u>

* Party-in-interest as defined by ERISA

(1) Cost information may be omitted for plan assets which are participant-directed.

HOSTESS BRANDS, LLC 401(k) PLAN

SCHEDULE H, LINE 4a – SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS

Year Ended December 31, 2019

EIN: 37-1719327

Plan Number: 001

	Participant Contributions Transferred Late to the Plan	Total That Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under Voluntary Fiducary Correction Program (VFCP) and Prohibited Transaction Exemption 2002- 51
	Check Here If Late Participant Loan Repayments are included:	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contribution Pending Correction in VFCP	
2019			\$18		
2017			\$860		

HOSTESS BRANDS, LLC 401(k) PLAN

SCHEDULE H, LINE 4a – SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS

Year Ended December 31, 2019

EIN: 37-1719327

Plan Number: 001

	Participant Contributions Transferred Late to the Plan	Total That Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under Voluntary Fiducary Correction Program (VFCP) and Prohibited Transaction Exemption 2002- 51
	Check Here If Late Participant Loan Repayments are included:	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contribution Pending Correction in VFCP	
2019			\$18		
2017			\$860		

HOSTESS BRANDS, LLC 401(k) PLAN

SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2019

EIN: 37-1719327

Plan Number: 001

(a)	(b)	(c) Description of investments including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost (1)	(e) Current value
Identity of issue, borrower, lessor, or similar party				
Vanguard Target Retirement 2030 Fund		Mutual Fund	\$	4,042,445
Vanguard Target Retirement 2025 Fund		Mutual Fund		3,933,079
Vanguard 500 Index Admin Fund		Mutual Fund		2,980,567
Vanguard Target Retirement 2035 Fund		Mutual Fund		3,010,995
Vanguard Target Retirement 2020 Fund		Mutual Fund		2,209,533
Vanguard Target Retirement 2040 Fund		Mutual Fund		3,405,938
T Rowe Price Blue Chip Growth		Mutual Fund		2,944,384
Vanguard Target Retirement 2045 Fund		Mutual Fund		2,320,374
Vanguard Target Retirement 2050 Fund		Mutual Fund		1,786,969
Vanguard Target Retirement 2055 Fund		Mutual Fund		1,569,383
Vanguard Mid Cap Index Admin Fund		Mutual Fund		1,155,972
Vanguard Small Cap Index Admin Fund		Mutual Fund		950,514
Invesco Diversified Dividend A		Mutual Fund		527,498
Vanguard Target Retirement 2060 Fund		Mutual Fund		1,020,565
Vanguard Target Retirement 2015 Fund		Mutual Fund		306,733
Vanguard Target Retirement Fund		Mutual Fund		404,828
Vanguard Total Bond Market Index		Mutual Fund		364,657
Natixis Loomis Sayles Core Plus Bond Fund		Mutual Fund		225,754
Fidelity Intl Indx-Inst PRM		Mutual Fund		445,512
Vanguard Target Retirement 2065 Fund		Mutual Fund		47,896
* Wells Fargo Stable Return Fund N		Common Collective Trust		1,016,361
				<u>34,669,957</u>
* Participant loans (interest rates ranging 4.25% - 6.50%)				<u>1,552,197</u>
			\$	<u><u>36,222,154</u></u>

* Party-in-interest as defined by ERISA

(1) Cost information may be omitted for plan assets which are participant-directed.

HOSTESS BRANDS, LLC 401(k) PLAN

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018





INDEPENDENT AUDITORS' REPORT

The Administrative Committee
Hostess Brands, LLC 401(k) Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Hostess Brands, LLC 401(k) Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Wells Fargo Bank, N.A., the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of December 31, 2019 and 2018 and for the years then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

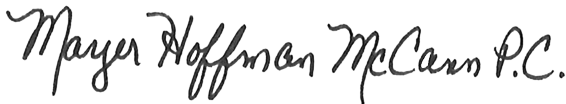
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule of assets (held at end of year) as of December 31, 2019, and the supplemental schedule of delinquent participant contributions for the year ended December 31, 2019, are required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedules referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive, flowing script.

Kansas City, Missouri
October 15, 2020

HOSTESS BRANDS, LLC 401(k) PLAN**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

December 31, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Investments at fair value	\$ 34,669,957	\$ 24,013,487
Non interest bearing cash	-	44
Receivables:		
Employer contributions	1,149,909	1,897,605
Notes receivable from participants	1,552,197	1,131,279
TOTAL RECEIVABLES	2,702,106	3,028,884
TOTAL ASSETS	37,372,063	27,042,415
<u>LIABILITIES</u>		
Excess contributions payable	287,165	145,402
NET ASSETS AVAILABLE FOR BENEFITS	\$ 37,084,898	\$ 26,897,013

See Notes to Financial Statements

HOSTESS BRANDS, LLC 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	\$ 5,354,656	\$ (1,962,203)
Dividends	<u>668,673</u>	<u>498,463</u>
	<u>6,023,329</u>	<u>(1,463,740)</u>
Other income	<u>19,973</u>	<u>10,953</u>
Interest income on notes receivable from participants	<u>79,379</u>	<u>48,715</u>
Contributions:		
Employer	2,570,263	3,280,204
Participants	5,284,195	4,747,445
Rollover	<u>1,017,659</u>	<u>692,045</u>
	<u>8,872,117</u>	<u>8,719,694</u>
TOTAL ADDITIONS	<u>14,994,798</u>	<u>7,315,622</u>
DEDUCTIONS		
Benefits paid to participants	3,288,276	2,889,260
Administrative expenses	<u>145,364</u>	<u>135,446</u>
TOTAL DEDUCTIONS	<u>3,433,640</u>	<u>3,024,706</u>
NET INCREASE BEFORE PLAN TRANSFERS	11,561,158	4,290,916
Transfers out	<u>(1,373,273)</u>	<u>-</u>
NET INCREASE	10,187,885	4,290,916
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	<u>26,897,013</u>	<u>22,606,097</u>
End of year	<u><u>\$ 37,084,898</u></u>	<u><u>\$ 26,897,013</u></u>

See Notes to Financial Statements

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(1) Description of plan

The following description of the Hostess Brands, LLC 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan document or Summary Plan Description for a more complete description of the Plan's provisions, which are available from the plan administrator.

General - The Plan is a defined contribution plan established on August 1, 2013, sponsored by Hostess Brands, LLC (the "Company") for the benefit of employees of the Company and its participating subsidiaries. The Plan has no service or age requirement for eligibility. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan is administered by the Administrative Committee (the "Committee") which is made up of certain members of management of the Company. The Committee has overall responsibility for the operation and administration of the Plan, determines the appropriateness of the Plan's investment offerings, and monitors investment performance.

In 2019, Principal Financial Group ("Principal") acquired the Wells Fargo's Institutional Retirement & Trust business. The Plan is expected to migrate to the Principal platform in 2021.

Plan amendments - Effective January 1, 2018, the Plan was amended to allow for a special discretionary non-elective employer contribution. The special discretionary non-elective contribution for any year will be a fixed dollar amount per eligible participant. The special discretionary non-elective contribution for the 2019 and 2018 plan years was \$0 and \$500 per eligible participant, respectively. Eligible participants include all hourly employees who have attained one year of service and are employed by the Plan Sponsor as of December 31. In addition to the preceding requirement, eligible participants must also have been employed on February 1, 2018 to be eligible for the 2018 special discretionary non-elective contribution.

Effective January 1, 2018, the Plan was amended to adjust the fixed matching contribution formula. Prior to January 1, 2018, the fixed matching contribution formula was calculated at 50% of elective deferrals, up to a maximum of 6% of compensation. Effective January 1, 2018, the fixed matching contribution is either a) 50% of elective deferrals if the amount of the participant's elective deferrals is less than 6% of compensation, or b) 4% of compensation if the amount of the participant's elective deferrals equal or exceed 6% of compensation. The amendment is only applicable to participants at the Columbus, GA bakery production facility or the Indianapolis, IN bakery production facility who are covered by a collective bargaining agreement.

Effective January 1, 2018, the Plan was amended to adjust the fixed non-elective contribution (NEC) formula for employees at the Indianapolis, Indiana bakery production facility who are covered by a collective bargaining agreement. Previously, the NEC formula was calculated at 1.5% of the participant's compensation for the immediately preceding year for each year subsequent to January 2018. Following the amendment, the NEC formula was increased to 2% of the participant's compensation for the immediately preceding year for each year subsequent to January 2020.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(1) Description of plan (continued)

Effective January 1, 2018, the Plan was amended to adjust the fixed non-elective contribution (NEC) formula for employees at the Columbus, Georgia bakery production facility who are covered by a collective bargaining agreement. Previously, the NEC formula was not defined for any years subsequent to January 2018. Following the amendment, the NEC formula was updated for 1.5% of the participant's 2018 compensation in January of 2019; 1.5% of the participant's 2019 compensation in January of 2020; and 2% of the participant's compensation for the immediately preceding year for each year subsequent to January 2020.

Effective February 2018, the Company completed an asset acquisition of a manufacturing facility in Chicago, Illinois. As a result of this acquisition, approximately 650 employees became eligible to participate in the Plan and were offered the opportunity to roll their prior retirement plan's funds into the Plan.

Contributions - Participants may contribute up to 100% of annual compensation as pre-tax or Roth contributions, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Additionally, participants age 50 or older, who are making contributions to the Plan, are allowed to make catch-up contributions as defined in the Plan. Participants direct the investment of all contributions into various investment options offered by the Plan. The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at 3% of eligible compensation. The Company's matching contribution is discretionary as determined by the Company. Additional amounts may be contributed at the option of the Company. For the years ended December 31, 2019 and 2018, a nonelective contribution was made to eligible participants at the Emporia, Kansas location of 1.75% and 1.5% of eligible compensation, respectively. For the years ended December 31, 2019 and 2018, a nonelective contribution was made to eligible participants at the Indianapolis, Indiana location of 1.5% of eligible compensation. For each the years ended December 31, 2019 and 2018, a nonelective contribution was made to eligible participants at the Columbus, Georgia location of 1.5% of eligible compensation. Additionally, for the years ended December 31, 2019 and 2018, a profit sharing contribution in the amount of \$128,510 and \$116,720, respectively, was made for eligible participants of the Emporia, Kansas location. For the year ended December 31, 2019, there was no special discretionary non-elective contribution. For the year ended December 31, 2018, a special discretionary non-elective contribution in the amount of \$619,500 was made for eligible hourly participants. Contributions are subject to certain Internal Revenue Code ("IRC") limitations.

Participant investment account options - Participants direct the investment of all contributions into various investment options offered by the Plan. The Plan currently offers 20 mutual funds and a common collective trust as investment options for participants.

Participant accounts - Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution, (b) plan earnings, and (c) charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(1) Description of plan (continued)

Vesting - Participants are immediately vested in their contributions plus actual earnings (or losses), thereon. Employer contributions are subject to the following vesting schedule.

<u>Years of Service</u>	<u>Vested %</u>
Less than 1	0%
1	25%
2	50%
3	75%
4	100%

Notes receivable from participants - Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account and bear interest at rates that are commensurate with prevailing rates as determined by the plan administrator at the time of issuance. Principal and interest are paid ratably through payroll deductions.

Excess contributions payable - Amounts payable to participants for contributions in excess of amounts allowed by the IRS are recorded as a liability with a corresponding reduction to contributions. The Plan distributed the 2019 excess contributions to the applicable participants in March 2020. The Plan distributed the 2018 excess contributions to the applicable participants in September 2019.

Payment of benefits - On termination of service for any reason, a participant may receive the value of the vested interest in his or her account as a lump sum distribution.

Forfeited accounts - At December 31, 2019 and 2018, forfeited nonvested accounts totaled \$156,996 and \$190,015, respectively. Forfeitures may be used to pay reasonable plan expenses or allocated to reduce employer matching contributions. For the years ended December 31, 2019 and 2018, employer contributions were reduced by \$209,267 and \$203,192, respectively, from forfeited nonvested accounts. For the years ended December 31, 2019 and 2018, Plan expenses were reduced by \$10,220 and \$1,052, respectively, from forfeited nonvested accounts. Additionally, subsequent to December 31, 2019, \$156,996 was used to reduce the employer contribution receivable and is reflected as a reduction to the contribution receivable at December 31, 2019.

(2) Summary of significant accounting policies

Basis of accounting - The financial statements of the Plan are prepared on the accrual method of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(2) Summary of significant accounting policies (continued)

Investment valuation and income recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Committee determines the Plan's valuation policies utilizing information provided by the investment trustee. See Note 4 for discussions of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Notes receivable from participants - Notes receivable from participants are measured at their unpaid principal balance plus accrued but unpaid interest. Interest income is recorded on an accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred.

Payment of benefits - Benefits are recorded when paid.

Administrative expenses - Certain expenses of the Plan are paid by the Company and are not included in the statements of changes in net assets available for benefits. Fees related to the administration of notes receivable from participants are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation (depreciation) in fair value of investments.

(3) Information prepared and certified by the trustee

The Plan administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Wells Fargo Bank, N.A. ("Wells Fargo"), the trustee of the Plan, has certified that the following data included in the accompanying financial statements and supplemental schedules are complete and accurate with respect to investments:

- Investments at fair value
- Notes receivable from participants
- Net appreciation (depreciation) in fair value of investments
- Dividends
- Other income
- Interest income on notes receivable from participants
- Schedule of assets (held at end of year)

The Plan's independent public accountants did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedules.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(4) Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification 820 are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used at December 31, 2019 or 2018.

Mutual funds: Valued at the daily closing price reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Stable value common collective trust: A stable value fund that is composed primarily of fully benefit-responsive investment contracts is valued at the NAV of units of the bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. Participant transactions (purchases and sales) may occur daily. If the Plan initiates a full redemption of the collective trust, the issuer reserves the right to require 12 months' notification in order to ensure that securities liquidations will be carried out in an orderly business manner.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(4) Fair value measurements (continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of December 31, 2019 and 2018:

Investments at Fair Value as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Mutual funds	<u>\$ 33,653,596</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 33,653,596
Stable value common collective trust, measured at NAV practical expedient ^(a)				<u>1,016,361</u>
Total investments at fair value				<u>\$ 34,669,957</u>

Investments at Fair Value as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Mutual funds	<u>\$ 23,314,263</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 23,314,263
Stable value common collective trust, measured at NAV practical expedient ^(a)				<u>699,224</u>
Total investments at fair value				<u>\$ 24,013,487</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets available for benefits.

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarized investments for which fair value is based on NAV per share practical expedient as of December 31, 2019 and 2018, respectively.

	Fair Value 12/31/2019	Fair Value 12/31/2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Stable Value Common Collective Trusts					
Total	<u>\$ 1,016,361</u>	<u>\$ 699,224</u>	<u>\$ -</u>	<u>Daily</u>	<u>(b)</u>

(b) Participants may redeem units for the purpose of funding a bona fide benefit payment, making a participant loan, honoring an employee-directed transfer of the employee's interest in the Plan to another investment election that is a noncompeting investment, or paying trustee fees. Participants may make withdrawals for other purposes generally only upon 12 months' advance written notice to the trustee.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(5) Related party transactions and party-in-interest transactions

Certain Plan investments are shares of a stable value common collective trust managed by Wells Fargo. Wells Fargo is the trustee as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions. Fees incurred by the Plan for investment management services are included in net appreciation (depreciation) in the fair value of investments, as they are paid through revenue sharing, rather than a direct payment. As described in Note 2, the Plan made direct payments to the trustee of \$135,144 and \$134,446 for the years ended December 31, 2019 and 2018, respectively. The Company pays directly any other fees related to the Plan's operations.

(6) Plan termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in their employer contributions.

(7) Reconciliation of financial statements to Schedule H of Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2019 and 2018 to Form 5500:

	December 31,	
	2019	2018
Net assets available for benefits per the financial statements	\$ 37,084,898	\$ 26,897,013
Plus current year excess contributions refundable	287,165	145,402
Net assets available for benefits per Schedule H of the Form 5500	<u>\$ 37,372,063</u>	<u>\$ 27,042,415</u>

The following is a reconciliation of net increase per the financial statements for the year ended December 31, 2019 and 2018 to Form 5500:

	Years Ended December 31,	
	2019	2018
Net increase per the financial statements	\$ 11,561,158	\$ 4,290,916
Change in amounts allocated to withdrawing participants	-	20,987
Plus current year excess contributions refundable	287,165	145,402
Less prior year excess contributions refundable	(145,402)	(145,186)
Net increase per Schedule H of the Form 5500	<u>\$ 11,702,921</u>	<u>\$ 4,312,119</u>

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(8) **Tax status**

The Internal Revenue Service ("IRS") has determined that the new volume submitter plan that is designed in accordance with applicable sections of the IRC and informed the trustee of such in a letter dated March 31, 2014. Although the Plan has been amended since receiving the opinion letter, the Plan administrator believes that the Plan is currently designed, and being operated, in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(9) **Risks, uncertainties and concentrations**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

At December 31, 2019 and 2018, approximately 23% and 25% of the Plan's investments were invested in the Vanguard Target Retirement 2030 Fund and the Vanguard Target Retirement 2025 Fund.

(10) **Delinquent participant contributions**

Defined contribution plans are required to remit employee contributions to the Plan as soon as they can be reasonably segregated from the employer's general assets. While the Company remitted all employee contributions to the Plan, contributions of \$18 and \$860 were not remitted within the required time period for the years ended December 31, 2019 and 2017, respectively. The Company has remitted all delinquent employee contributions to the Plan and related lost earnings.

(11) **Transfers out**

In August 2019, the Company sold Superior Cake Products, Inc. Participant account balances transferred to the purchasing company's plan in December 2019 in the amount of \$1,373,273.

HOSTESS BRANDS, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

(12) Subsequent events

The Plan has evaluated subsequent events through October 15, 2020, which is the date the financial statements were available to be issued and noted the following items for disclosure:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of the coronavirus (the “COVID-19 outbreak”) creating risks to the international community as the virus spread globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to deterioration and instability in financial markets. As a result, there has been heightened market risk and the Plan’s investment portfolio has experienced volatility in fair value since December 31, 2019. Because the values of the Plan’s individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and the related impact on the Plan’s portfolio cannot be determined at this time.

Additionally, March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. Plan management has evaluated the relief provisions available to plan participants under the CARES Act and has implemented the following provisions:

- Special coronavirus distributions up to \$100,000
- Increased the available loan amount as described in Note 1 to the lesser of \$100,000 or 100% of the participant’s vested account balance
- Extended the period for loan repayments, if applicable, up to one year
- Required minimum distributions for the calendar year 2020 have been temporarily waived

The Plan is operationally administered in accordance with certain provisions under the CARES Act. The Plan will be retroactively amended by the time prescribed for the provisions implemented under this Act.

SUPPLEMENTAL SCHEDULES

HOSTESS BRANDS, LLC 401(k) PLAN

SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2019

EIN: 37-1719327

Plan Number: 001

(a)	(b)	(c) Description of investments including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost (1)	(e) Current value
Identity of issue, borrower, lessor, or similar party				
Vanguard Target Retirement 2030 Fund		Mutual Fund	\$	4,042,445
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Vanguard 500 Index Admin Fund		Mutual Fund		2,980,567
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Vanguard Target Retirement 2040 Fund		Mutual Fund		3,405,938
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Vanguard Target Retirement 2055 Fund		Mutual Fund		1,569,383
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Vanguard Target Retirement Fund		Mutual Fund		404,828
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				<u>34,669,957</u>
* Participant loans (interest rates ranging 4.25% - 6.50%)				<u>1,552,197</u>
			\$	<u><u>36,222,154</u></u>

* Party-in-interest as defined by ERISA

(1) Cost information may be omitted for plan assets which are participant-directed.

HOSTESS BRANDS, LLC 401(k) PLAN

SCHEDULE H, LINE 4a – SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS

Year Ended December 31, 2019

EIN: 37-1719327

Plan Number: 001

	Participant Contributions Transferred Late to the Plan	Total That Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under Voluntary Fiducary Correction Program (VFCP) and Prohibited Transaction Exemption 2002- 51
	Check Here If Late Participant Loan Repayments are included:	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contribution Pending Correction in VFCP	
2019			\$18		
2017			\$860		